

Message Text

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FM SECSTATE WASHDC

TO AMCONSUL LUANDA PRIORITY

S E C R E T STATE 198893

FOLLOWING REPEAT LUSAKA 1583 SENT SECSTATE INFO DAR ES SALAAM
KINSHASA DATED AUG 21.

QUOTE

S E C R E T LUSAKA 1583

E.O. 11652: XGDS-2

TAGS: ZA, AL, EMIN, ETRD

SUBJECT: SUSPENSION OF COPPER SHIPMENTS THROUGH ANGOLA

REF: STATE 196460

1. SOURCE IN MINING INDUSTRY CONFIRMS THAT RAILWAY
TRAFFIC BETWEEN ANGOLA, ZAIRE AND ZAMBIA HAS CEASED.
UNDERSTAND MINING COMPANIES TODAY MEETING WITH ZAMBIA
RAILWAY OFFICIALS IN KABWE TO ASSESS SITUATION.

2. PROLONGED SHUTDOWN OF LOBITO ROUTE WILL HAVE SEVERE
IMPACT ON ZAMBIAN ECONOMY. ZAMBIA HAS UTILIZED LOBITO
FOR 55PCT OF COPPER EXPORTS AND 45PCT OF IMPORTS, INCLUDING
MOST HEAVY MINING AND INDUSTRIAL EQUIPMENT. DENIAL OF
LOBITO OUTLET WILL HAVE TRIPLE WHAMMY EFFECT. FIRST, AT
PRESENT COPPER PRICE OF OVER \$1300 PER TON, ZAMBIA WILL
LOSE CLOSE TO \$1.5 MILLION IN FOREIGN EXCHANGE EARNINGS
DAILY UNTIL COPPER CAN BE RE-ROUTED. (RESERVES AS OF JULY 31

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STOOD AT \$102 MILLION, ABOUT SIX WEEKS' IMPORT COSTS.

HOWEVER, THIS FIGURE INFLATED BY INFUSION OF \$60 MILLION BARCLAYS LOAN TO RCM AND \$100 MILLION CITICORP LOAN TO NCCM. FOREIGN EXCHANGE POSITION CERTAIN TO DETERIORATE EVEN IN ABSENCE OF DIFFICULTIES.) ALTHOUGH EFFECTS ON FOREIGN EXCHANGE POSITION WILL LAG BY SEVERAL MONTHS, ZAMBIAN TENDENCY TO DEFER FACING UP TO UNPLEASANT REALITIES MIGHT ONLY RESULT IN ACCENTUATING ADVERSE IMPACT.

3. DURING PAST YEAR COPPER STOCKS DELAYED IN TRANSIT BECAUSE OF TRANSPORT BOTTLENECK HAVE EXCEEDED DESIRED TARGETS BY AS MUCH AS 40,000 TONS CAUSING SEVERE CASH FLOW PROBLEMS FOR COMPANIES. CLOSURE OF LOBITO ROUTE CAN ONLY AGGRAVATE THESE FINANCIAL PROBLEMS. IT IS LIKELY THAT RATHER THAN ACCUMULATE ADDITIONAL STOCKS, GRZ WILL OPT TO CLOSE HIGHER COST MINES.

4. THIRD MAJOR EFFECT IS DELAY IN RECEIVING ESSENTIAL SUPPLIES OF MINE EQUIPMENT, AS WELL AS WHEAT, COKE AND OTHER RAW MATERIALS PRESENTLY IMPORTED VIA LOBITO. REROUTING WOULD BE COSTLY AND IN SOME CASES IMPOSSIBLE BECAUSE OF LOBITO'S UNIQUE CAPABILITY OF HANDLING HEAVY EQUIPMENT. ACCORDING TO MINISTER PLANNING AND FINANCE, OVER 108,000 TONS ZAMBIAN CARGO VALUED AT ABOUT \$100 MILLION NOW TIED UP IN LOBITO, MUCH OF WHICH IS ALREADY OFF LOADED. DEVELOPMENT PROJECTS HAVE BEEN DELAYED BY SLOW DELIVERY OF CAPITAL GOODS AND COULD BE BROUGHT TO HALT IN SOME CASES. MANY INDUSTRIES DEPENDANT ON IMPORTED RAW MATERIALS HAVE BEEN OPERATING AT REDUCED LEVELS AND COULD BE SHUT DOWN BY PROLONGED DELAYS IN RESTORING USE OF LOBITO. THIS WOULD AGGRAVATE UNEMPLOYMENT PROBLEM SINCE ECONOMIC REFORM ANNOUNCED BY PRESIDENT JUNE 30 ALREADY APPEAR TO BE RESULTING IN LABOR REDUNDANCIES.

5. SINCE ZAMBIA MAKING MAXIMUM USE OF EAST AFRICAN PORTS AND ENCOUNTERING HIGH PORT SURCHARGE RATES, WE DOUBT THAT MORE THAN SMALL FRACTION OF LOBITO BOUND TRADE COULD EFFECTIVELY BE REROUTED.

6. MINISTER PLANNING AND FINANCE HAS CONFIRMED REPORT IN TODAY'S ZAMBIAN PRESS THAT ZAMBIA WILL DECLARE FORCE
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MAJEURE IN THE EXPORT OF COPPER.
WILKOWSKI UNQUOTE MAW

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Message Attributes

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